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RE: Multivariate Study of GPC Promotion Incidence

DATE: November 19, 1993

OVERVIEW

The gap between GPC gross price and the lowest competitor net price explains much of the variation in GPC promotion incidence. In particular, incidence is significantly higher in stores where the gap is greater than 5¢ for packs or 50¢ for cartons. Also the promotion value increases on average as this price gap increases. Another factor found to be significant in explaining differences in GPC promotion incidence is store ownership, with independents having higher incidence.

IMPLICATIONS

It appears that B&W is allocating price promotion spending based on the gap between GPC price and the Lowest competitive price in the store. Price promotion is most concentrated in stores with a pack gap between 10¢ and 40¢ per pack, and carton gaps between 1\$ and 4\$ per carton. Otherwise, B&W promotion placement seems to follow the path of least resistance which is defined by independently owned stores.

FINDINGS

Multivariate analysis of Field Sales store level price audit data for August was carried out for GPC pack promotion incidence and carton promotion incidence separately. Of all the variables examined, the two found to have the strongest explanatory power for both pack and carton promotion incidence are GPC gross price versus Lowest net price and store ownership. A complete list of variables included in this analysis is provided in Appendix 1.

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